

**LIQUIDATING TRUST****Dear Beneficiaries:**

We continue to focus on maximizing returns to Beneficiaries through continued prosecution of our correspondent litigation and managing the timely and efficient wind down of the remaining Trust assets and activities.

**Recent Highlights of the Trust's Activities**

On May 3, 2017, the Board declared a distribution of \$2.00 per Unit for a total of \$200 million, with a record date of May 18, 2017 and a distribution date of June 2, 2017.

On April 25, 2017, the Trust sold substantially all of its non-claim mortgage portfolio in consideration of proceeds of \$104.5 million.

As of March 31, 2017, Net Assets for the Trust were \$334.9 million, an increase of \$19.4 million from EOY 2016.

Effective March 29, 2017, David Pauker was appointed to the Trust Board by KLS Diversified Asset Management LP. David replaces John Dubel on the Board.

**Correspondent Lender Litigation**

As of the date of this letter, the Trust is litigating 33 cases against correspondent lenders of Residential Funding Company LLC, for indemnity and breach of contract, which are pending in Federal District Court in Minnesota, Minnesota State Court and Federal Bankruptcy Court for the Southern District of New York.

Since year end, the Trust settled four correspondent litigation cases for an aggregate amount of \$36.9 million. The Trust has reached settlements totaling approximately \$434.9 million since the inception of the Trust.

The Trust entered into a settlement in April 2017 related to RMBS claims for aggregate consideration of \$10.0 million comprised of \$6.0 million of cash and \$4.0 million of securities.

**Assets**

With the execution of the loan sale, the Trust will focus on the servicing transfer during the second quarter. The Trust will continue to work with LoanCare and HUD to pursue claim recoveries on our insured loan portfolio and the sale of our Real Estate Owned (REO) properties. As of the March 31, 2017, our remaining gross balances on mortgage assets totaled \$271.7 million with a carrying value of \$164.9 million. Giving effect to the sale,

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remaining gross balances for mortgage assets are \$140.8 million with a carrying value of \$60.4 million.

### Claims

We continue to work with the remaining claimants for final resolution of the claims reserved for in the Disputed Claims Reserve.

### Regulatory

The Trust, as successor to the Debtors in the Bankruptcy case, is party to a settlement with the Department of Justice ("DOJ") and completed its requirements review of mortgage loans for potential violations under the Servicemembers Civil Relief Act ("SCRA") in October 2016. The remaining obligation with regard to the DOJ settlement is to work with and monitor Rust Consulting to ensure required SCRA remediation activities are conducted as appropriate. A specific restricted cash account with an outstanding balance of \$16.1 million at the end of the quarter will be utilized for all future liabilities related to remediation obligation to the service members and costs for professionals such as Rust Consulting. Obligation of the Trust for the SCRA work and outreach efforts is through October 2018.

### Administrative Expenses Set Aside

The Administrative Expenses Set Aside holds cash and other assets for the payment of Trust operating expenses. As of March 31, 2017, the Administrative Expenses Set Aside of \$250.1 million consisted of \$50.8 million in cash and \$199.3 million in pledged proceeds from future asset sales and/or recoveries.

Activity related to the Administrative Expenses Set Aside is as follows (in \$000's):

	<b>Quarter ended March 31, 2017</b>
Balance, Beginning of period	\$ 279,286
• Additions - cash	106
• Additions - pledged proceeds from future asset sales and/or recoveries	(29,257)
• Withdrawals - cash	-
Balance, March 31, 2017	<u>\$ 250,135</u>

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## LIQUIDATING TRUST

The Trust's first quarter 2017 financial report has been posted on our website at <http://www.rescapliquidatingtrust.com/#financial-statements>.

The Board and management of the Trust continue to work diligently towards the goal of maximizing value for Beneficiaries in the most efficient manner possible. We look forward to reporting on the results of our efforts.

Sincerely,



**John Ray**

Liquidating Trust Manager